

small investors who are suffering under present circumstances when they want to sell their bonds. After all, we sold those bonds during the war from a patriotic standpoint, and that was all very well. Now, is there any way that anyone can think of whereby we can protect the small investor? **I would** like to know, Mr. Chairman, if the Minister of Finance has done anything on that.

Hon. Mr. ABBOTT: Yes, I have had occasion to say in the House that the interest rate is a price just the same as anything else, and that in a security, whether it is a government security or anything else, you cannot have absolute security, absolute liquidity and a high interest rate all in the same instrument. We believe—at least you and I do—in a free enterprise economy. I believe in the law of supply and demand, with certain reservations. I do not believe there is any such thing as a fixed interest. I believe in the use of the interest rate and so far as the government securities are concerned I think that the holder of government securities must buy them on this basis. He buys them at a price which reflects at the time he purchases them the going interest rate. If he buys them at the time of issue he buys an obligation which guarantees him the return of his principal on the due date, and in the meantime the rate of interest which is stipulated in the contract. If for one reason or another interest rates go up, then the current value of his bond will go down, and if interest rates should go down, as they have done, then the market value of his bond will go up. In the case of the Dominion government bonds sold during the war, for four or five years after the war the issues all sold at a substantial premium. Now there has been a worldwide increase in interest rates and, inevitably, that means that the current market price of bonds is down. As to protecting the smaller holder: as the committee knows, the last three or four years there have been issued Canada savings bonds which bear quite an attractive rate of interest, but they are limited in two respects: they are limited as to the amount that can be purchased and they are, at any rate primarily, for the small holder. I am a firm believer in the use of the price mechanism and I do not think it is feasible to devise any means, to use your term, of protecting the small holder. It would be too easy for the large holders to convert themselves into small holders for the purpose of that transaction.

Mr. WRIGHT: Then why, Mr. Minister, did you change to the type of bonds you are selling now if you believe a complete free enterprise system operating in bonds was the one to follow?

Hon. Mr. ABBOTT: The reason for that is this, Mr. Wright: we are providing a security which carries a lower rate of interest than the long term government bonds, which are limited in the amount which anyone can hold and which is redeemable on demand but which cannot be sold, transferred nor assigned. It is a special type of security to enable people of small means to put their savings into a form of security which is very liquid and which pays a relatively high return. To adopt the suggestion that one should permanently peg the price of long term government bonds at any figure you like, would mean that you completely destroy any difference between short term and long term bonds, and that is something I do not think you are really going to have, a completely controlled economy where you just tell people what they are going to get and hold them to it, or you have a type of economy that a good many of us believe in.

Mr. GIBSON: You are not supporting the price now?

Hon. Mr. ABBOTT: No.

Mr. GIBSON: You are buying bonds, though?

Hon. Mr. ABBOTT: As we have funds to invest we will buy bonds.

Mr. GIBSON: You supported them during the war.